

**ND PUBLIC EMPLOYEES RETIREMENT SYSTEM  
INVESTMENT PERFORMANCE REPORT AS OF DECEMBER 31, 2004**

	December-04					September-04				Current	Prior Year	3 Years	5 Years
	Market Value	Allocation	Policy	Quarter	Month	Market Value	Allocation	Policy	Quarter	Fiscal YTD	FY04	Ended	Ended
				Net ROR	Net ROR				Net ROR	Net ROR		6/30/2004	6/30/2004
												Net	Net
<b>LARGE CAP DOMESTIC EQUITY</b>													
<i>Structured Growth</i>													
LA Capital	63,381,809	4.5%	4.5%	10.52%	4.78%	57,289,937	4.4%	4.5%	-4.17%	5.92%	N/A	N/A	N/A
<b>Total Structured Growth</b>	<b>63,381,809</b>	<b>4.5%</b>	<b>4.5%</b>	<b>10.52%</b>	<b>4.78%</b>	<b>57,289,937</b>	<b>4.4%</b>	<b>4.5%</b>	<b>-4.17%</b>	<b>5.92%</b>	<b>19.20%</b>	<b>-5.87%</b>	<b>-7.07%</b>
Russell 1000 Growth				9.17%	3.92%				-5.23%	3.47%	17.88%	-3.74%	-6.48%
<i>Structured Value</i>													
LSV	68,939,391	4.9%	4.5%	9.12%	2.80%	63,142,110	4.8%	4.5%	3.11%	12.51%	29.44%	9.20%	8.31%
Russell 1000 Value				10.38%	3.35%				1.54%	12.08%	21.13%	2.96%	0.64%
<i>Enhanced Russell 1000 Index</i>													
LA Capital	83,813,243	5.9%	6.0%	9.18%	3.59%	76,718,414	5.8%	6.0%	-2.24%	6.74%	18.59%	-0.17%	N/A
Russell 1000				9.80%	3.62%				-1.81%	7.81%	19.48%	-0.32%	N/A
<i>Enhanced S&amp;P 500 Index</i>													
Northern Trust	84,480,927	6.0%	6.0%	9.18%	3.29%	77,325,237	5.9%	6.0%	-2.17%	6.81%	19.00%	-0.31%	N/A
Strong	-	0.0%	0.0%	N/A	N/A	64	0.0%	0.0%	N/A	N/A	21.13%	-0.06%	N/A
Westridge	84,258,203	6.0%	6.0%	9.50%	3.44%	77,034,816	5.9%	6.0%	-1.94%	7.38%	19.30%	-0.36%	N/A
<b>Total Enhanced S&amp;P 500 Index</b>	<b>168,739,130</b>	<b>11.9%</b>	<b>12.0%</b>	<b>9.34%</b>	<b>3.37%</b>	<b>154,360,118</b>	<b>11.8%</b>	<b>12.0%</b>	<b>-2.13%</b>	<b>7.01%</b>	<b>19.81%</b>	<b>-0.24%</b>	<b>N/A</b>
S&P 500				9.23%	3.40%				-1.87%	7.19%	19.11%	-0.69%	N/A
<i>S&amp;P 500 Index</i>													
State Street	42,923,070	3.0%	3.0%	9.23%	3.41%	39,268,327	3.0%	3.0%	-1.87%	7.19%	19.08%	-0.67%	-2.17%
S&P 500				9.23%	3.40%				-1.87%	7.19%	19.11%	-0.69%	-2.20%
<b>TOTAL LARGE CAP DOMESTIC EQUITY</b>	<b>427,796,643</b>	<b>30.2%</b>	<b>30.0%</b>	<b>9.44%</b>	<b>3.53%</b>	<b>390,778,905</b>	<b>29.8%</b>	<b>30.0%</b>	<b>-1.59%</b>	<b>7.70%</b>	<b>20.38%</b>	<b>0.08%</b>	<b>-2.14%</b>
S&P 500				9.23%	3.40%				-1.87%	7.19%	19.11%	-0.69%	-2.20%
<b>SMALL CAP DOMESTIC EQUITY</b>													
<i>Manager-of-Managers</i>													
SEI	155,365,101	11.0%	10.0%	14.79%	3.88%	135,169,121	10.3%	10.0%	-3.59%	10.67%	33.33%	5.76%	N/A
Russell 2000 + 200bp				14.64%	3.13%				-2.36%	11.93%	35.99%	8.43%	N/A
<b>TOTAL SMALL CAP DOMESTIC EQUITY</b>	<b>155,365,101</b>	<b>11.0%</b>	<b>10.0%</b>	<b>14.79%</b>	<b>3.88%</b>	<b>135,169,121</b>	<b>10.3%</b>	<b>10.0%</b>	<b>-3.59%</b>	<b>10.67%</b>	<b>33.33%</b>	<b>5.76%</b>	<b>6.81%</b>
Russell 2000				14.09%	2.96%				-2.86%	10.83%	33.36%	6.24%	6.63%
<b>INTERNATIONAL EQUITY</b>													
<i>Large Cap - Core</i>													
State Street	15,537,847	1.1%	1.0%	10.22%	4.34%	26,805,666	2.0%	2.0%	-1.24%	8.85%	27.44%	0.42%	-1.44%
MSCI EAFE (1)				11.69%	4.39%				-0.72%	10.89%	26.98%	-1.27%	-1.15%
<i>Large Cap - Active</i>													
Capital Guardian	44,441,060	3.1%	3.0%	10.34%	3.70%	64,488,204	4.9%	5.0%	-1.48%	8.71%	25.40%	-1.15%	1.54%
LSV	42,260,547	3.0%	3.0%		4.67%	-	0.0%	0.0%	N/A	N/A	N/A	N/A	N/A
Transition Account	(5,616)	0.0%	0.0%		N/A	-	0.0%	0.0%	N/A	N/A	N/A	N/A	N/A
Bank of Ireland	15,341,679	1.1%	1.0%	16.02%	5.56%	13,174,680	1.0%	1.0%	-1.07%	14.78%	23.61%	N/A	N/A
<b>Total Large Cap - Active</b>	<b>102,037,670</b>	<b>7.2%</b>	<b>7.0%</b>	<b>11.63%</b>	<b>4.34%</b>	<b>77,662,885</b>	<b>5.9%</b>	<b>6.0%</b>	<b>-1.41%</b>	<b>10.06%</b>	<b>25.11%</b>	<b>-0.79%</b>	<b>1.76%</b>
MSCI EAFE - 50% Hedged				11.11%	3.85%				-0.72%	10.31%	26.98%	-1.27%	-1.15%
<i>Small Cap - Active</i>													
Lazard	14,979,685	1.1%	1.0%	16.15%	4.36%	14,085,757	1.1%	1.0%	0.76%	17.03%	44.40%	N/A	N/A
Wellington	14,664,511	1.0%	1.0%	13.12%	4.08%	12,921,174	1.0%	1.0%	-4.63%	7.89%	42.26%	N/A	N/A
<b>Total Small Cap - Active</b>	<b>29,644,196</b>	<b>2.1%</b>	<b>2.0%</b>	<b>14.63%</b>	<b>4.22%</b>	<b>27,006,931</b>	<b>2.1%</b>	<b>2.0%</b>	<b>-1.92%</b>	<b>12.43%</b>	<b>43.25%</b>	<b>N/A</b>	<b>N/A</b>
Citigroup Broad Market Index < \$2BN				16.82%	4.90%				-0.82%	15.86%	47.95%	N/A	N/A
<b>TOTAL INTERNATIONAL EQUITY</b>	<b>147,219,713</b>	<b>10.4%</b>	<b>10.0%</b>	<b>11.66%</b>	<b>4.34%</b>	<b>131,475,481</b>	<b>10.0%</b>	<b>10.0%</b>	<b>-1.47%</b>	<b>10.01%</b>	<b>29.19%</b>	<b>2.00%</b>	<b>1.63%</b>
MSCI EAFE - 50% Hedged				11.11%	3.85%				-0.72%	10.31%	26.98%	-1.27%	-1.15%
<b>EMERGING MARKETS EQUITY</b>													
Capital Guardian	77,057,547	5.4%	5.0%	15.37%	5.13%	66,748,065	5.1%	5.0%	7.64%	24.19%	27.91%	8.93%	2.83%
MSCI Emerging Markets Free				17.27%	4.81%				8.25%	26.95%	33.50%	13.09%	3.25%
<b>DOMESTIC FIXED INCOME</b>													
<i>Core Bond</i>													
Western Asset	33,256,225	2.4%	2.5%	1.25%	1.04%	32,846,945	2.5%	2.4%	3.67%	4.97%	2.02%	8.00%	8.39%
Lehman Aggregate				0.96%	0.92%				3.20%	4.18%	0.32%	6.35%	6.95%
<i>Active Duration</i>													
WestAM (Criterion)	32,797,675	2.3%	2.5%	1.06%	0.82%	32,455,709	2.5%	2.4%	2.75%	3.83%	-0.25%	5.14%	6.43%
Lehman Aggregate				0.96%	0.92%				3.20%	4.18%	0.32%	6.35%	6.95%
<i>Index</i>													
Bank of ND	55,401,290	3.9%	4.5%	0.70%	1.04%	54,841,820	4.2%	4.4%	3.46%	4.18%	-1.03%	6.88%	7.04%
Bank of ND Match Loan CD Program	21,750,641	1.5%	1.5%	1.26%	0.42%	21,639,059	1.6%	1.6%	1.21%	2.48%	5.08%	5.57%	5.70%
<b>Total Index</b>	<b>77,151,931</b>	<b>5.5%</b>	<b>6.0%</b>	<b>0.87%</b>	<b>0.85%</b>	<b>76,480,879</b>	<b>5.8%</b>	<b>6.0%</b>	<b>3.05%</b>	<b>3.94%</b>	<b>0.23%</b>	<b>6.79%</b>	<b>6.83%</b>
Lehman Gov/Credit				0.80%	1.06%				3.56%	4.39%	-0.72%	6.73%	7.10%
<i>Convertibles</i>													
TCW	34,615,916	2.4%	2.5%	8.54%	3.01%	31,900,431	2.4%	2.4%	-3.94%	4.26%	16.74%	0.51%	3.89%
First Boston Convertible Index				5.37%	2.08%				-1.05%	4.26%	14.44%	4.95%	5.78%

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	Market Value	Allocation	Policy	Quarter	Month	Market Value	Allocation	Policy	Quarter	Fiscal YTD	FY04	Ended	Ended
				Net ROR	Net ROR				Net ROR	Net ROR	Net ROR	6/30/2004	6/30/2004
												Net	Net
<b>BBB Average Quality</b>													
<b>Wells Capital (formerly Strong)</b>	33,418,092	2.4%	2.5%	3.94%	1.58%	32,084,003	2.4%	2.4%	4.62%	8.73%	1.29%	6.26%	7.23%
<i>Lehman BBB</i>				1.69%	1.56%				4.76%	6.53%	1.23%	8.23%	6.60%
<b>Timberland</b>													
RMK	40,962,734	2.9%	2.9%	8.02%	8.31%	38,262,677	2.9%	2.9%	3.86%	12.19%	10.46%	N/A	N/A
TIR	73,151,431	5.2%	5.2%	0.43%	0.27%	73,069,727	5.6%	5.6%	N/A	N/A	N/A	N/A	N/A
<b>Total Timberland</b>	114,114,165	8.1%	8.1%	3.04%	3.03%	111,332,404	8.5%	8.5%	3.86%	7.01%	10.46%	N/A	N/A
<b>TOTAL DOMESTIC FIXED INCOME</b>	325,354,003	23.0%	24.0%	2.69%	1.90%	317,100,371	24.2%	24.0%	2.69%	5.45%	5.08%	6.35%	7.34%
<i>Lehman Aggregate</i>				0.96%	0.92%				3.20%	4.18%	0.32%	6.35%	6.95%
<b>HIGH YIELD BONDS</b>													
<b>Loomis Sayles</b>	36,423,318	2.6%	2.5%	2.59%		33,996,575	2.6%	2.5%		13.81%	N/A	N/A	N/A
<i>Lehman High Yield Cash Pay Index</i>				1.47%						9.57%	N/A	N/A	N/A
<b>Sutter/Wells Capital</b>	35,307,858	2.5%	2.5%	1.02%		33,962,583	2.6%	2.5%		8.35%	N/A	N/A	N/A
<i>Merrill Lynch High Yield Master II Index</i>				1.51%						9.39%	N/A	N/A	N/A
<b>TOTAL HIGH YIELD BONDS</b>	71,731,176	5.1%	5.0%	1.81%		67,959,158	5.2%	5.0%		11.06%	7.69%	6.68%	2.79%
<i>Lehman High Yield Bond Index</i>				1.49%						9.64%	10.33%	9.30%	4.78%
<b>INTERNATIONAL FIXED INCOME</b>													
<b>International Sovereign</b>													
<b>UBS Global (Brinson)</b>	35,444,859	2.5%	2.5%	10.41%	1.80%	31,745,541	2.4%	2.5%	3.06%	13.79%	7.86%	14.20%	6.47%
<i>Citigroup Non-US Gov't Bond Index (2)</i>				10.63%	1.89%				3.29%	14.27%	7.59%	13.65%	6.84%
<b>International Core</b>													
<b>Brandywine</b>	35,468,468	2.5%	2.5%	9.22%	1.88%	32,681,900	2.5%	2.5%	4.74%	14.40%	9.65%	N/A	N/A
<i>Lehman Global Aggregate (ex-US)</i>				10.66%	1.92%				3.49%	14.52%	5.20%	N/A	N/A
<b>TOTAL INTERNATIONAL FIXED INCOME</b>	70,913,327	5.0%	5.0%	9.81%	1.84%	64,427,440	4.9%	5.0%	3.90%	14.09%	8.78%	14.41%	6.59%
<i>Citigroup Non-US Gov't Bond Index (2)</i>				10.63%	1.89%				3.29%	14.27%	7.59%	13.65%	6.84%
<b>REAL ESTATE</b>													
JMB	-			-86.10%	-86.10%	10,054			16.49%	-83.81%	1.45%	-5.90%	-3.04%
INVERSCO	28,248,117			-0.43%	0.00%	27,191,276			-5.91%	-6.31%	6.72%	5.80%	7.59%
J.P. Morgan	36,463,461			2.85%	1.83%	35,451,816			3.83%	6.80%	11.11%	7.63%	9.54%
<b>TOTAL REAL ESTATE</b>	64,711,578	4.6%	5.0%	1.27%	0.95%	62,653,146	4.8%	5.0%	-0.88%	0.39%	8.87%	6.70%	8.55%
<i>NCREIF TOTAL INDEX</i>				4.69%	1.54%				3.42%	8.27%	10.82%	8.40%	9.33%
<b>ALTERNATIVE INVESTMENTS</b>													
Brinson IVCF II	170,179			0.49%	1.82%	169,353			0.40%	0.89%	19.39%	-7.72%	4.43%
Coral Partners II	121,653			-0.07%	0.00%	120,310			-0.35%	-0.42%	14.14%	-16.27%	-15.91%
Coral Partners V	5,605,166			-4.59%	0.00%	5,897,185			6.37%	1.49%	-31.07%	-34.06%	-13.63%
Coral Partners V - Supplemental	661,975			2.90%	0.00%	701,331			2.37%	5.34%	30.44%	N/A	N/A
Coral Partners VI	3,611,394			-2.08%	0.00%	3,813,950			-0.28%	-2.35%	-21.72%	N/A	N/A
Brinson 1998 Partnership Fund	1,415,402			-0.98%	4.02%	1,687,069			3.37%	2.35%	9.41%	-7.52%	3.66%
Brinson 1999 Partnership Fund	2,575,629			2.80%	2.80%	2,515,067			0.48%	3.29%	14.66%	-9.09%	-1.33%
Brinson 2000 Partnership Fund	4,794,194			3.30%	3.30%	4,658,652			3.01%	6.41%	11.19%	-6.65%	N/A
Brinson 2001 Partnership Fund	2,562,002			1.05%	0.42%	2,104,781			0.81%	1.87%	6.64%	-2.03%	N/A
Brinson 2002 Partnership Fund	1,612,558			-4.00%	4.58%	1,184,946			-4.97%	-8.76%	14.42%	N/A	N/A
Brinson 2003 Partnership Fund	255,646			2.02%	-0.63%	158,669			-2.71%	-0.74%	-4.63%	N/A	N/A
Brinson 1999 Non-US Partnership Fund	1,463,105			7.91%	7.91%	1,453,381			5.73%	14.09%	21.09%	8.14%	4.24%
Brinson 2000 Non-US Partnership Fund	1,669,108			2.89%	1.57%	1,772,133			3.24%	6.22%	15.38%	5.71%	N/A
Brinson 2001 Non-US Partnership Fund	1,258,142			-1.63%	0.07%	1,082,438			0.86%	-0.79%	16.63%	3.39%	N/A
Brinson 2002 Non-US Partnership Fund	2,059,600			6.60%	3.86%	1,765,806			0.27%	6.89%	18.67%	N/A	N/A
Brinson 2003 Non-US Partnership Fund	554,208			-0.78%	-0.78%	381,594			-0.12%	-0.90%	-3.93%	N/A	N/A
Brinson 2004 Non-US Partnership Fund	72,432			-1.76%	-1.76%	74,010			0.09%	-1.67%	N/A	N/A	N/A
Brinson BVCF IV	7,486,656			-0.88%	0.00%	8,328,279			6.66%	5.72%	21.17%	-9.85%	-10.01%
Matlin Patterson Global Opportunities	5,585,887			4.11%	2.95%	8,162,327			-3.26%	0.72%	13.00%	N/A	N/A
Matlin Patterson Global Opportunities II	4,298,626			-1.12%	8.74%	-			N/A	N/A	N/A	N/A	N/A
InvestAmerica	1,868,953			0.00%	0.00%	1,876,070			17.28%	17.28%	-7.73%	N/A	N/A
Hearthstone MSII	0			536.18%	140.24%	213,768			106.69%	1214.92%	28.64%	20.32%	N/A
Hearthstone MSIII	9,777,218			1.26%	0.00%	9,692,693			-0.08%	1.18%	N/A	N/A	N/A
<b>TOTAL ALTERNATIVE INVESTMENTS (3)</b>	59,479,735	4.2%	5.0%	2.73%	2.60%	57,813,811	4.4%	5.0%	2.90%	5.72%	3.23%	-12.85%	-1.69%
<b>CASH EQUIVALENTS</b>													
<b>Northern Trust STIF/STEP</b>	15,471,006	1.1%	1.0%	0.45%	0.17%	17,787,580	1.4%	1.0%	0.44%	0.89%	1.44%	1.86%	3.48%
<i>90 Day T-Bill</i>				0.48%	0.21%				0.37%	0.85%	0.98%	1.71%	3.29%
<b>TOTAL FUND</b>	1,415,099,829	100.0%	100.0%	7.86%	2.97%	1,311,913,079	100.0%	100.0%	0.50%	8.40%	16.66%	4.65%	3.78%
<b>POLICY TARGET BENCHMARK</b>				7.47%	2.54%				0.99%	8.54%	14.79%	4.29%	3.62%

**NOTE: Monthly returns and market values are preliminary and subject to change.**

(1) This benchmark was changed to the MSCI EAFE (unhedged) as of December 1, 2004.

(2) Previously this benchmark was titled Salomon Brothers Non-US Gov't Bond Index.

(3) Because of the variation in fee calculations in Alternative Investments, only net returns will be shown until June of each year when actual costs are known.